

TESTIMONY  
OF  
FRANK CASSIDY  
PRESIDENT AND CHIEF OPERATING OFFICER  
PSEG POWER LLC

Before  
The United States Senate  
Committee on Commerce, Science, and Transportation  
July 10, 2001

Mr. Chairman and Members of the Committee, I am pleased and honored to appear before you this morning to represent my company, Public Service Enterprise Group Incorporated (PSEG), and our coalition, the Clean Energy Group.

PSEG is a diversified energy holding company based in New Jersey with assets and operations overseas as well as in the United States. The company, I head is PSEG Power, a subsidiary of PSEG, and an independent power producer and energy trading company. We have more than 17,000 megawatts of electric generating capacity in operation, construction, or advanced development and our energy trading business is the 15<sup>th</sup> largest by volume in the country. PSEG's other subsidiaries include Public Service Electric and Gas Company (PSE&G), one of the nation's largest combined electric and gas utilities, and PSEG Global which develops and operates energy production and distribution facilities internationally.

The Clean Energy Group members are Consolidated Edison Company, KeySpan Energy, Northeast Utilities, Conectiv, Exelon Corporation, Northeast Utilities, PG&E National Energy Group, Sempra Energy, and my company, PSEG.

Members of coalition share a number of significant attributes and principles:

- We operate and are developing power plants in almost every region of the United States.
- We operate coal, gas, and oil-fired fossil-fueled generating plants and nuclear-powered facilities.
- We believe in responsible environmental stewardship.
- We are committed to working cooperatively with the environmental community, government, and other stakeholders to promote adoption of progressive policies that provide meaningful environmental improvements on an economically sound and sustainable basis.

There is no question the issues of environmental policy, climate change and carbon dioxide reductions present tremendous challenges to our industry. Members of our coalition share the view that the scientific evidence on climate change has progressed to the point where prudent action on reducing greenhouse gas emissions is warranted. We also share the concerns expressed by Members of Congress, President Bush, and members of his Administration about the necessity of maintaining a secure, diverse, reliable, and affordable electric energy supply.

We believe we can make progress on reducing carbon dioxide and other greenhouse gas emissions without bankrupting the economy or eliminating coal as a viable fuel supply.

Our industry is in the process of fundamental change. My company, PSEG Power, was created just about two years ago as a result of these changes. We own and operate generating facilities that were formerly part of an integrated, regulated utility in New Jersey. We are now one of the largest unregulated independent power producers in the U.S. with an aggressive growth plan that involves entering new markets and building new facilities.

One of the key questions I and my industry colleagues confront is how best to accommodate the requirement for environmental improvements as we make business decisions that involve billions of dollars and affect the lives and livelihoods of hundreds of thousands of investors and employees.

The Clean Energy Group believes the best way to provide the business certainty on which to base these decisions is through an integrated environmental strategy and a multi-pollutant approach that includes carbon.

The Clean Energy Group has developed a legislative proposal that would deliver significant reductions in power plant emissions of nitrogen oxide, sulfur dioxide, and mercury, and implement mandatory carbon dioxide reductions in a manner that will not compromise the reliability, fuel-source diversity, or affordability of the nation's electric energy supply.

The legislation calls for mandatory emissions caps to be achieved on established timetables and use of emissions trading and other cost-effective, market-based compliance techniques that will allow industry to meet the emissions caps efficiently and at low cost.

I've attached a copy of the Clean Energy Group's legislative proposal to my written testimony. We would look forward to discussing it with interested Members and staff at any time.

We believe the legislation will provide real and significant environmental benefits. However, there also is a strong business rationale for an integrated approach and for establishing a clear policy on carbon reductions now.

Our industry needs to know now what the future environmental requirements will be in terms of the amount of reductions and the timetable.

The issue boils down to one of business certainty for both the electric power industry and the capital markets we turn to for financing of new generating projects. We don't want to confront a situation in which we are forced to waste or put at risk large-scale investments predicated on one set of requirements only to have the rules changed a few years down the road.

Our view is that the best and most prudent course of action – and the one that will foster investment in new energy technologies and the electric energy infrastructure our country needs – is a comprehensive, program that establishes a clear, unambiguous environmental targets and timetables over the next fifteen years.

We also believe such a program should be mandatory.

Clean Energy Group companies have participated in a number of voluntary programs in the past that helped developed emissions trading protocols for ozone precursor pollutants. These programs have been useful tools for the industry. However, if a goal is to provide business certainty, our view is that only a mandatory program in which all participants in the electric generating industry are required to internalize the cost of making necessary reductions will work. This is especially relevant in the highly competitive wholesale power market in which even small cost differentials can provide a material competitive advantage for those who choose not to participate in a voluntary program.

Again, I am honored by the opportunity to make this statement on behalf of my company and the Clean Energy Group. We look forward to working with Congress and the Administration to craft the policies under which our industry will make substantial environmental progress while it fulfills its mission of providing a secure, reliable, and affordable supply of electric energy. I would be happy to respond to your questions.

